

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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**ADMINISTRATIVE RULE
FISCAL IMPACT STATEMENT**

PROPOSED RULE: 01-304

DATE PREPARED: Dec 9, 2001

STATE AGENCY: Office of the Sec. of Family and Social Services

DATE RECEIVED: Nov 1, 2001

FISCAL ANALYST: Alan Gossard

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Digest of Proposed Rule: This bill adds 405 IAC 1-18 to specify Medicaid reimbursement methodology for Medicare cross-over claims. For nursing facility claims, total reimbursement will not exceed the Medicaid allowable rate. For all other provider types, total reimbursement will be capped at the Medicare allowable rate.

According to the Office of Medicaid Policy and Planning (OMPP), a cross-over claim is a claim filed on behalf of a Medicare beneficiary who is also eligible for Medicaid. A Medicare claim is initially filed by the providers with the Medicare fiscal intermediary. The Medicare fiscal intermediary processes the claim and pays the portion of the claim for which Medicare is responsible. The claim is then sent to the Medicaid agency for processing. Medicaid is responsible for payment of the Medicare deductibles and coinsurance for certain beneficiaries.

Previous payment policy in Indiana has been to pay all cross-over claims up to the Medicare allowable rate. However, federal statute allows state Medicaid agencies to elect to either pay up to the Medicare allowable rate, or to cap payments for coinsurance and deductibles at the Medicaid allowable rate. This rule changes the state's reimbursement policy for nursing facilities to the latter, a payment cap at the Medicaid allowable rate.

Governmental Entities:

State: OMPP estimates the reduction in the state share of nursing facility payments from this change to be \$4.6 M for FY 2002 and \$6.5 M for FY 2003. This rule places no unfunded mandates upon state government.

Local: Currently, there are six county-owned nursing facilities that would be subject to this rule change. However, this rule places no unfunded mandates upon any local government unit.

Regulated Entities: According to OMPP, this rule change should have limited impact on nursing facilities participating in the Medicaid program. Medicare policy permits coinsurance and deductible amounts that the provider cannot collect to be treated as "Medicare bad debt", which is reimbursable by Medicare. Consequently, according to OMPP, there should be no adverse financial impact on nursing facilities. The result is that these costs are shifted from the state Medicaid program to the federal government.

According to OMPP, the rule change will require a minor alteration in the information that nursing facilities must include on the cost reports that they file for the Medicare program. OMPP states that they will assist providers by providing any Medicaid data needed in the format desired by Medicare. The providers are not expected to incur additional costs to comply with this rule change.

Information Sources: Evelyn Murphy, OMPP, (317) 233-6467.